

Digimarc Corporation
Consolidated Income Statement Information
(in thousands, except per share amounts)
(Unaudited)

	Three Month Information		Nine Month Information	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenue:				
Service	\$ 3,352	\$ 3,160	\$ 10,982	\$ 10,549
Subscription	2,399	2,668	7,455	7,119
Total revenue	5,751	5,828	18,437	17,668
Cost of revenue:				
Service	1,406	1,409	4,691	4,730
Subscription	522	509	1,548	1,507
Total cost of revenue	1,928	1,918	6,239	6,237
Gross profit:				
Service	1,946	1,751	6,291	5,819
Subscription	1,877	2,159	5,907	5,612
Total gross profit	3,823	3,910	12,198	11,431
Gross margin:				
Service	58%	55%	57%	55%
Subscription	78%	81%	79%	79%
Percentage of gross profit to total revenue	66%	67%	66%	65%
Operating expenses:				
Sales and marketing	4,538	4,839	14,417	14,876
Research, development and engineering	4,662	4,105	13,303	12,124
General and administrative	3,009	2,998	9,457	9,287
Total operating expenses	12,209	11,942	37,177	36,287
Operating loss	(8,386)	(8,032)	(24,979)	(24,856)
Other income, net	36	259	257	727
Loss before income taxes	(8,350)	(7,773)	(24,722)	(24,129)
Benefit (provision) for income taxes	(2)	12	1	(28)
Net loss	<u>\$ (8,352)</u>	<u>\$ (7,761)</u>	<u>\$ (24,721)</u>	<u>\$ (24,157)</u>
Earnings (loss) per common share:				
Loss per common share - basic	\$ (0.68)	\$ (0.65)	\$ (2.04)	\$ (2.07)
Loss per common share - diluted	\$ (0.68)	\$ (0.65)	\$ (2.04)	\$ (2.07)
Weighted average common shares outstanding - basic	12,241	11,924	12,129	11,693
Weighted average common shares outstanding - diluted	12,241	11,924	12,129	11,693

Digimarc Corporation
Consolidated Balance Sheet Information
(in thousands)
(Unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 45,461	\$ 11,213
Marketable securities ⁽¹⁾	17,194	25,604
Trade accounts receivable, net	3,022	4,021
Other current assets	2,396	2,456
Total current assets	68,073	43,294
Property and equipment, net	3,361	3,650
Intangibles, net	6,604	6,670
Goodwill	1,114	1,114
Other assets	2,353	2,660
Total assets	\$ 81,505	\$ 57,388
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 2,469	\$ 2,272
Note payable, current	3,096	—
Deferred revenue	2,098	3,172
Total current liabilities	7,663	5,444
Lease liability and other long-term liabilities	2,712	2,494
Note payable, long-term	1,957	—
Total liabilities	12,332	7,938
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	15	12
Additional paid-in capital	232,544	188,103
Accumulated deficit	(163,436)	(138,715)
Total shareholders' equity	69,173	49,450
Total liabilities and shareholders' equity	\$ 81,505	\$ 57,388

(1) Aggregate cash, cash equivalents and marketable securities was \$62,655 and \$36,817 at September 30, 2020 and December 31, 2019, respectively.

Digimarc Corporation
Consolidated Cash Flow Information
(in thousands)
(Unaudited)

	Nine Month Information	
	September 30, 2020	September 30, 2019
Cash flows from operating activities:		
Net loss	(24,721)	\$ (24,157)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	1,112	1,098
Amortization and write-off of intangibles	612	533
Stock-based compensation	7,149	6,094
Changes in operating assets and liabilities:		
Trade accounts receivable	999	318
Other current assets	60	(782)
Other assets	307	263
Accounts payable and other accrued liabilities	146	1,086
Deferred revenue	(1,092)	(735)
Lease liability and other long-term liabilities	236	(481)
Net cash used in operating activities	(15,192)	(16,763)
Cash flows from investing activities:		
Purchase of property and equipment	(694)	(692)
Capitalized patent costs	(478)	(524)
Maturity of marketable securities	30,598	27,997
Purchase of marketable securities	(22,188)	(38,037)
Net cash provided by (used in) investing activities	7,238	(11,256)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	38,603	19,615
Proceeds from note payable	5,032	—
Exercise of stock options	135	293
Purchase of common stock	(1,568)	(2,753)
Net cash provided by financing activities	42,202	17,155
Net increase (decrease) in cash and cash equivalents ⁽²⁾	\$ 34,248	\$ (10,864)
Cash, cash equivalents and marketable securities at beginning of period	36,817	43,656
Cash, cash equivalents and marketable securities at end of period	62,655	42,832
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	\$ 25,838	\$ (824)